

STRICTLY CONFIDENTIAL – Only for the use of Investment Professionals. Not for use of Retail Investors.



FACT SHEET

II KOTAK INDIA DYNAMIC FUND

NAV before accrued Performance Fees (US\$) - Series I : 9.53 | Series D : 9.42

28th February 2010

NAV after accrued Performance Fees (US\$) - Series I : 9.53 | Series D : 9.42

Market Overview

Fiscal tightening was on priority of most governments world over (many commonwealth nations had their annual budget in February, including India) with the debt crisis deepening in the PIGS (Portugal/Ireland/Greece/Spain) economy. The rising sovereign risk in these countries caused some discomfort to the global equity markets resulting in mid month volatility. However the belief that European fiscal concerns would be contained and the Asian recovery would remain on track brought back confidence in the minds of investors, thus most markets (Asian and BRIC) recovered and closed either flat or marginally higher/lower during the month.

Flows into the Indian markets remained muted amidst global macro-economic concerns and concerns on India's widening fiscal deficit. Domestic institutions too sparingly participated in the markets ahead of the budget. Thus, despite the intra-month volatility, overall the markets remained subdued in the run-up to the budget.

Indian Budget FY2010-11

The budget's focus has clearly been on reigning in the fiscal deficit (through the 3G telecom spectrum auction, PSU divestments of Rs. 40,000 Cr) and on consumption led growth. On one hand the budget has laid out a road map for fiscal consolidation in line with the new FRBM targets - central fiscal deficit estimated at 5.5%, 4.8% and 4.1% of GDP in FY11, FY12 and FY13 and on the other hand the personal income tax benefits clearly puts more money in the hands of the consumer.

The partial roll-back of the stimulus package in the form of an excise duty hike in automobiles and cigarettes, bringing more services under the service tax net and marginal increase in MAT (Minimum Alternative Tax) were some of the measures which were partly in line with market expectations.

The financial sector comes out as a clear beneficiary with measures such as PSU bank recapitalisation, new banking licenses for NBFC's, containment of net borrowing programmes being announced along with an overall focus on GDP growth.

Budget Implications

The budget seems to address macro-economic issues like fiscal deficit containment; however, fuel price hike, excise duty hike, fertilizer price hike and pockets of demand side pressures may fuel inflation which will need to be effectively addressed by the central bank later.

The policy rates may rise and cause some strain on borrowings by corporates. This could be a minor impediment for growth.

The government's gross bond issuances in FY11 could be as big as those in FY10 and that too could be front-loaded putting pressure on the 10-year yield.

Oil Subsidy management poses the biggest risk to achieving FY11 fiscal deficit targets - The Finance Minister could be banking on growth and excess tax collections to address the possible rise in subsidy levels.

The government will press to complete 3G auctions and their divestment program in 1HFY11 as it is quite risky to back-end the program to 2HFY11. The issuance pipeline in 1HFY11 could be in excess of US\$10bn.

As we approach the 2HFY11, market will focus on the GST, DTC and IFRS impact on corporate earnings.

Thus we believe the positives and negatives in the budget along with the political will to act on the policy would keep the equity markets under check.

KIDF Fund Review Feb 2010

In line with our view of the broader market (range bound with negative bias) for February, our net exposure in the initial days was low (in single digits). This enabled the fund to wither the initial 3% fall in the market. Later both the gross as well as the net exposure was raised and both long and short positions were created on single stock futures.

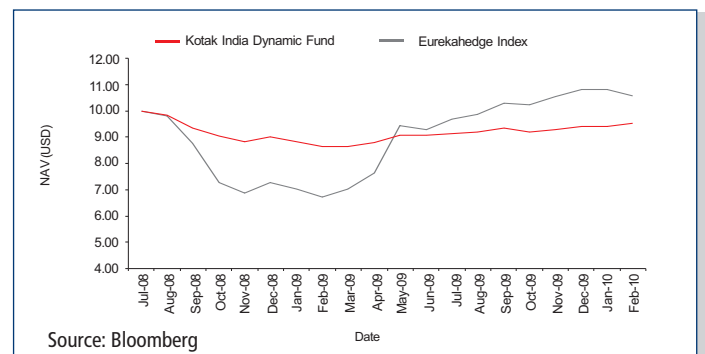
Just ahead of the day of the budget most of the individual stock positions were unwound as we did not want to speculate on the outcome. We were expecting a rollback of the stimulus package in the budget and hence were negative on auto and some banking stocks. Eventually, this proved to be a wise decision, as despite a marginal rollback in excise duty on the auto sector, the auto stocks rose from thereon. Also, the financial services sector became the favored one, post the budget.

We were one of the few to interpret (the budget document) the inclusion of under construction realty under the service tax net (which we thought could affect the profitability of realty companies) and went short on a couple of frontline realty stocks. These yielded immediate returns for us.

The fund maintained an average gross exposure of 61.56% (maximum of 83.29%) and an average net exposure of 19.04% (maximum of 38.69%). The nifty volatility rose from that in the earlier month to 24.04%. The volatility of the fund was still at a modest 6.07%. The fund continued to use index options and futures as a primary strategic tool to create portfolio positions. The various strategies employed, helped the fund return 1.48% in INR terms and 1.26% in USD terms, at the end of the month. The rupee appreciated by 0.30% in the course of the month, however, we continue to be hedged on the currency front and thus did not benefit from this currency appreciation.

The fund returned 11.52% for the one year period ended 28th February, 2010 in INR terms and 9.70% in USD terms. The year to date return for the fund stands at 1.18%.

We have graphically depicted the performance of our fund with that of the Eureka Hedge India Long/Short Equities Hedge Fund Index. The graph depicts that the fund has consistently been able to maintain a low level of volatility since inception in the process of generating returns.



March 2010 Market Outlook

The initial budget euphoria could give an impetus to the market. However, sustaining these levels would be a function of global and domestic liquidity. The markets are near fair valuations and hence any immediate jump would bring back concerns on company fundamentals. At best, we believe that sectors like financial services/banking, cement and auto could move up whereas oil & gas and realty could slide. Overall, the market may gain some of the lost ground but we believe it would still be range bound.

Fund Strategy

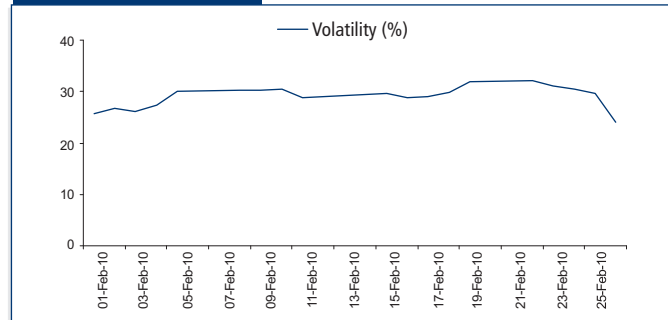
We believe that the market may initially be buoyant but could slide in the latter half of the month. Hence we would maintain low exposures to begin with. We would try to maintain a diversified portfolio with a long bias towards growth as a theme. We will look for opportunities, both in the large and midcap space with positive earnings surprise. We will look for short term selling opportunities in sectors like oil & gas and realty. We shall use Nifty futures and option strategies to benefit from the intra-month volatility. We would be mindful of downsides post an appreciation in the market and hence would adequately hedge our portfolio if needed.

Investment Objective

The investment objective of the fund is to generate absolute return irrespective of market direction and to minimize monthly drawdowns.*

* There is no guarantee that the fund will be able to achieve its objective.

India Volatility Index



Source: Bloomberg

Summary Data

Average Gross Exposure (for the month)	61.56
Average Net Exposure (for the month)	19.04
Annualised Sharpe Ratio since inception [#]	-0.30
Annualised Sortino Ratio since inception [#]	-0.37

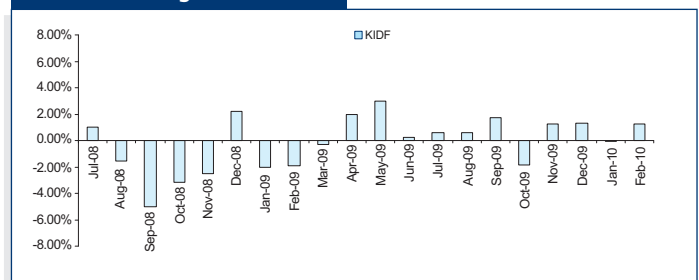
[#] Assuming the risk free rate to be 1 month US Treasury rate

Performance Summary (%)^{*}

	KIDF
1 month	1.26
3 month	2.54
6 month	3.62
YTD	1.18
Since inception	-3.55

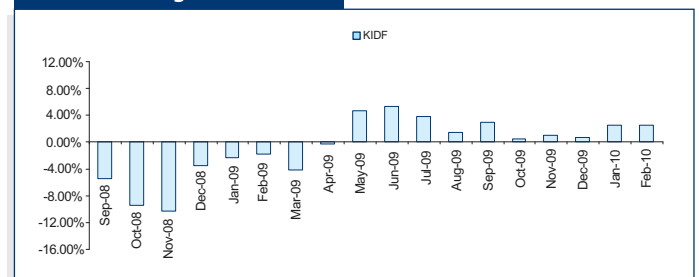
*We were providing a comparison of the performance of Kotak India Dynamic Fund with that of NIFTY in our monthly reports up to the month of August 2009. Since the Kotak India Dynamic Fund is not a benchmarked fund, the Fund v/s Nifty performance comparison has been removed.

1 Month Rolling Performance^{*}



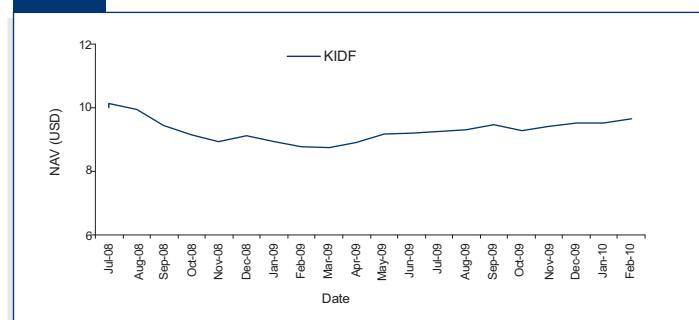
*Performance data is net of fees for Series I

3 Month Rolling Performance^{*}



*Performance data is net of fees for Series I

NAV^{*}



*Performance data is net of fees for Series I

Monthly Performance Summary

(%)

		2010	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
% Return before accrued performance fee			-0.08	1.26											1.18
% Return after accrued performance fee			-0.08	1.26											1.18
Volatility [^]	KIDF		3.93	6.07											5.08
	Nifty		20.95	24.04											22.41
		2009	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
% Return before accrued performance fee			-2.00	-1.91	-0.29	1.96	2.98	0.26	0.58	0.61	1.72	-1.86	1.23	1.34	4.56
% Return after accrued performance fee			-2.00	-1.91	-0.29	1.96	2.98	0.26	0.58	0.61	1.72	-1.86	1.23	1.34	4.56
Volatility [^]	KIDF		11.38	6.63	4.78	4.86	7.47	7.12	9.39	11.20	1.92	6.40	6.83	3.69	7.34
	Nifty		48.07	33.26	45.78	40.41	78.37	36.14	42.11	34.74	17.83	22.82	32.60	18.11	40.56
		2008	Jan	Feb	Mar	Apr	May	Jun	Jul [^]	Aug	Sep	Oct	Nov	Dec	Year
% Return before accrued performance fee			-	-	-	-	-	-	1.27	-1.78	-4.99	-3.17	-2.51	2.20	-8.83
% Return after accrued performance fee			-	-	-	-	-	-	1.01	-1.53	-4.99	-3.17	-2.51	2.20	-8.83
Volatility [^]	KIDF		-	-	-	-	-	-	5.29	7.00	8.34	11.44	8.71	8.57	8.67
	Nifty		-	-	-	-	-	-	49.15	28.02	44.13	86.32	73.27	46.33	58.33

Month end data is for Series I as of 28th February 2010. [^] July is a partial month, from 15th July 2008.

[^] The volatility is calculated based on approximate daily NAVs and is therefore an approximation. In the factsheets prior to Jan 09 volatility was calculated by including all days of the month. Henceforth the monthly volatility will be calculated by excluding non trading days of the month. In the above table the volatility figure for all the months have been provided as per the new calculation.

Past performance or return is not an indicator of expected future performance or return. There is no guarantee that the fund will be able to achieve the target returns. Please refer to the important notice on the last page before investing.

Fund Details

Fund	Kotak India Dynamic Fund
ISIN Code	Series D:- MU0246S00159 Series I: MU0246S00233
Structure	Share class of Mauritius based Umbrella Company
Investment Manager	Kotak Mahindra (UK) Limited
Launch Date	July 15, 2008
Fund Currency	USD
Contact Person: UK	Shyam Kumar (shyam.kumar@kotak.com) +44 207 977 6900
Contact Person: Singapore	Ruchit Puri (ruchit.puri@kotak.com) +65 6290 5590
Contact Person: USA	Ravilochan Pola (ravilochan@kotakinc.com) +1 914 997 6120
Contact Person: Dubai	Abhishek Bhalotia (abhishek.bhalotia@kotak.com) +977 14 3969 612

Key Terms

Management Fee	2% p.a. of the NAV, calculated monthly
Performance Fee	20% of appreciation over High Water Mark (Current High Water Mark - Series I: US\$ 10 and Series D: US\$ 10)
Performance Period	Annual (1st April to 31st March)
Minimum Investment	USD 250,000
Subscription	Monthly; on the last business day of each month
Redemption	Monthly; on the last business day of each month with 30 days notice

Key Risks

Subscribers must refer to the section "Risk Factors" in the Private Placement Memorandum for the detailed risks associated with investment in the Company. However, some of the key risks are highlighted below.

Country Risk: The Fund is subject to the geographical, political, economic and social issues specific to India.

Currency Risk: The base currency of the Fund is US Dollars and it is expected that a majority of the investments of the Fund will be in Indian Rupees. The Fund may not hedge against currency movements. The investors may thus be subject to the exchange rate fluctuations between US Dollars and Indian Rupee. Further, if the investors' local currency is not the US Dollar, their investment may also be affected by the movement of their local currency against the US Dollar.

Volatility Risk: The Indian stock markets are more volatile than the stock markets of the developed economies of Western Europe and North America.

Tax Risk: Tax treatment of foreign investments in India may be varied by the Indian Government without notice.

Regulatory Risk: The Fund may be restricted from investing in certain sectors or companies, or be subject to investment limits.

Liquidity Risk: The Fund may invest in companies where market liquidity is thin.

Derivative Risk: The leverage effect of derivatives used may very significantly magnify adverse impacts on the Fund. The value of adverse impacts may be many times more than the cost of the derivative.

Performance Risk: Past investment performance should not be viewed as a guide to, or indicator of, future performance and the value of investments and the income derived from them can go down as well as up. The Fund Manager may not be able to achieve the Investment Objectives as set out in this Annexure. It is also possible that the hedging strategies used to control risk may not succeed and the performance of the Fund be adversely affected.

Capital Risk: All or some of the capital investment may be lost.

Important Notice:

This document is not intended as a recommendation or for the purpose of soliciting any action in relation to the investment funds or any investments and is not intended as an offer to sell shares in the fund.

The information on this document relates to investment funds incorporated in Mauritius and regulated by the Financial Services Commission of Mauritius. The content of this document, in so far it relates to these funds, is the responsibility of the directors of the funds. Distribution of this document is strictly restricted by applicable laws and regulatory requirements of all countries in which it is made available and is intended only for the use of persons to whom it may legally be made available under local qualification criteria, such as certain types of investment professionals, accredited investors, professional investors and financial institutions. This document is not intended to be accessed by retail customers. The fund cannot be made available to investors who do not meet the eligibility criteria applicable to their country. Protections afforded by local legal and regulatory systems may have limited applicability to investments in this fund.

Investments in India are subject to a number of risks including, but not limited to, risk of losing some or all of the capital invested, high market volatility, variable market liquidity, geopolitical risks (including political instability), exchange rate fluctuations (between the currency of the fund's share class and the Indian Rupee), changes in tax regime and restrictions on investment activities of foreign investors. In addition, shares in the fund may not be readily redeemable. Past investment performance should not be viewed as a guide to, or indicator of, future performance and the value of investments and the income derived from them can go down as well as up. Investments in India should be considered only as part of a diversified overall portfolio of assets. Detailed information on the fund and associated risks is contained in the fund's private placement memorandum.

You should consult your professional adviser if you are in doubt about the strict restrictions applicable to the use of this material, regulatory status of the fund, applicable regulatory protection, associated risks and suitability of the fund to your objectives.

This document is communicated by the following, whose prior written consent must be obtained before onward distribution or communication to any other person:

- Kotak Mahindra (UK) Ltd (which is authorised and regulated by the Financial Services Authority), 155-157 Minorities, London EC3N 1LS, Phone:+44 207 977 6900.
- Kotak Mahindra (UK) Ltd (which is regulated by the DFSA), Office # 307 - 308, Sharafi Building, Opposite Burjuman Towers, Al Karama, PO Box# 121753, Dubai, UAE. Phone: +971 4396 9612.
- Kotak Mahindra (UK) Ltd (Singapore Branch), (which is regulated by the Monetary Authority of Singapore), 16 Raffles Quay #35-02/03, Hong Leong Building, Singapore. Phone: +65 6290 5590.
- Kotak Mahindra Inc (which is a member of FINRA), 50 Main Street, Suite 310, White Plains, New York 10606, USA. Phone: +1 914 997 6120.

No liability is owed to any persons with respect to the information contained in this material.